BUSINESS IS BOOMING

Annual Report
2003/2004

FOOD
DEVELOPMENT
CENTRE
Your Future in Food

A Special Operating Agency of Manitoba
Agriculture, Food and Rural Initiatives

Manitoba

Minister of Agriculture, Food and Rural Initiatives

Room 165
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

His Honour
The Honourable John Harvard
Lieutenant Governor of Manitoba
235 Legislative Building
Winnipeg, MB R3C OV8

Your Honour:

As Minister Responsible, I have the privilege of presenting, for the information of Your Honour, the Annual Report of the Food Development Centre for the fiscal year ended March 31, 2004.

Sincerely,

Rosann Wowchuk
Minister

105-00155/

Manitoba

Deputy Minister of
Agriculture, Food and Rural Initiatives

Room 159
Legislative Building
Winnipeg, Manitoba CANADA
R3C 0V8
(204) 945-3734

Honourable Rosann Wowchuk
Minister of Agriculture, Food and Rural Initiatives
165 Legislative Building
Winnipeg, MB R3C OV8

Dear Minister:

I have the privilege of presenting to you the Annual Report of the Food Development Centre (FDC) covering the year ended March 31, 2004.

The management and staff are particularly proud of the following achievements, which clearly indicate FDC's past success and benchmark FDC's role in economic development:

- the creation of growth by 19 new employment opportunities;
- the development of 28 new food products;
- the creation or expansion of 8 food processing companies;
- the nutritional analysis of 10 products;
- fee-for-service revenues of $180,864;
- a projected contribution of $2.07 million to the GDP of Manitoba over the next 5 years; and
- a projected contribution of $192,071 in provincial taxes over the next 5 years.

Thank you for your ongoing support throughout the past year. The staff at FDC are proud of the success of our clients and of the role we have been able to play in the economic growth of Manitoba.

Sincerely,

Barry Todd
Deputy Minister and
Chief Executive Officer

IN 2003/2004
THE ACTIVITIES OF THE FOOD DEVELOPMENT CENTRE RESULTED IN

the creation of ***19*** new employment opportunities

the development of ***28*** new food products

the creation or expansion of ***8*** food processing companies

the nutritional analysis of ***10*** products

fee-for-service revenues of ***$180,864***

as well as a contribution of ***$2.07 million*** to the GDP of Manitoba

and ***$192,071*** in provincial taxes

over the next ***5*** years.

BUSINESS IS BOOMING AT FDC AND IN MANITOBA.

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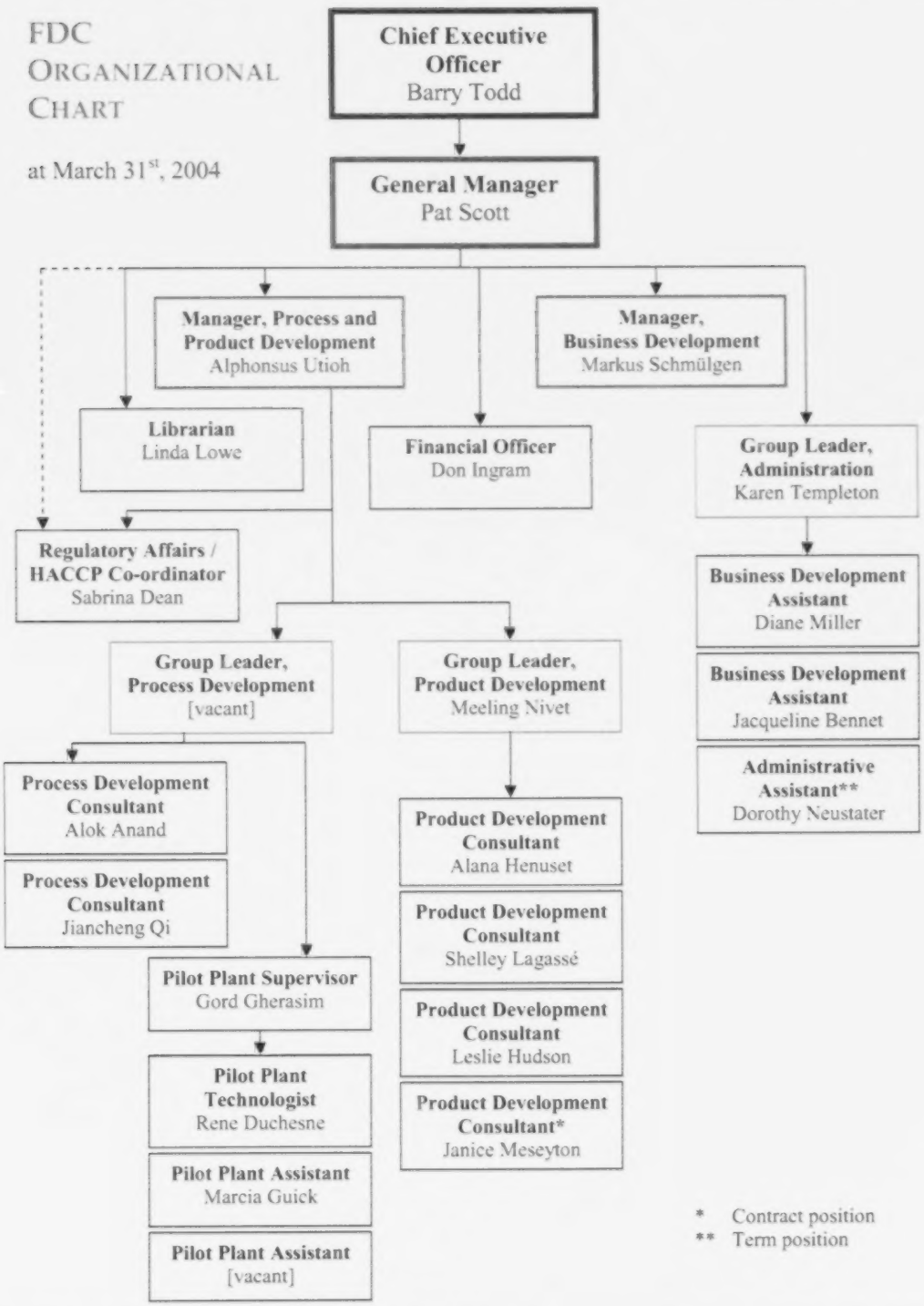
FDC ORGANIZATIONAL CHART

at March 31st, 2004



BUSINESS IS BOOMING

I. PREFACE

I.1. A Note on the Report Structure

Special Operating Agencies (SOAs) are not required to follow the format guidelines established for annual reports created by government departments. FDC has taken advantage of the exception and presents its annual report in a format based on its organizational structure, its business plan projections and its client activity achievements.

Objectives noted in the 2003/2004 FDC business plan and actual results are signified throughout the annual report with "Annual Projections" and "Achievements."

An extraordinary section on the expansion and capital acquisitions project is included.

I.2. Profile and Performance

FDC is a SOA of Manitoba Agriculture, Food and Rural Initiatives (MAFRI).[1] In *Destination 2010*[2] MAFRI stated the long-term goal that "Manitoba's agriculture and food sector will be more profitable and competitive through expanded diversification and adding value." *Destination 2010* also visualized that "rural communities will be more healthy and dynamic through expanded local and economic and employment opportunities, based on a growing agriculture and food sector."

FDC directly supports these departmental goals by having identified economic development as its primary performance measure. Jobs and businesses, particularly in rural Manitoba, are created through FDC activities. The actual impact on the gross domestic product (GDP) and provincial taxes of Manitoba are quantifiable and the effect over five years is calculable.

In renovating the facility, constructing a new federally accredited four-suite pilot plant and obtaining advanced processing technology FDC demonstrates its support and leadership for the Manitoba agri-food sector.

[1] A complete description of the nature of the organization is provided in the "Financial Statements" (section VII.).

[2] *Destination 2010: a Strategic Roadmap for Agriculture and Food* is available from MAFRI.

II. Keeping Our Eye on the Ball

When FDC became a SOA on April 1st, 1996 it had a clear vision of its role in the Manitoba agri-food industry. The FDC mission is a mandate the Centre upholds in all its initiatives and activities. The FDC vision and mission are proclaimed and fulfilled with each plan and achievement it makes. FDC maintains focus on its mandate by tirelessly pursuing eight challenging goals.

II.1. Vision

Increased employment and wealth through enhanced development of Manitoba as a global source of high quality food products.

II.2. Mission

The Food Development Centre provides leadership in the creation, expansion and diversification of the agri-food industry through its industry networks and its expertise in food processing.

II.3. Fulfillment through Goals

i. To provide up-to-date, unbiased technical information to the agri-food industry, with emphasis on leading-edge technologies in product and process development
ii. To provide technical and federally accredited pilot plant services for the production of safe, high quality and wholesome food products
iii. To provide Manitoba with a unique liquid food packaging facility through a partnership with Great Plains Aseptic Processors
iv. To provide education and training to industry through technical seminars and workshops
v. To create awareness of value-added processing of agri-food commodities and promote the capabilities of the Food Development Centre
vi. To promote the creation of a seamless agri-food development process within Manitoba Agriculture, Food and Rural Initiatives, from idea conceptualization to product marketing
vii. To ensure co-ordination and effective use of resources across the agri-food sector by liaising with industry, academia and government
viii. To participate in co-operative projects that will influence the production of primary products that may be processed within Manitoba

III. Steering Towards Success

In its five-year strategic plan FDC identified seven criteria essential to its long-term success. Eight operating guidelines were designed and continue to steer all FDC activities and initiatives.

III.1. Long-Term Success Factors

i. FDC must act as a pivotal point for industry, serving as both leader and liaison, to assist industry in attaining and maintaining a competitive position within its markets.
ii. FDC must measure its success based on its ability to facilitate the generation of economic development within Manitoba.
iii. FDC must be able to provide a federally accredited pilot plant that provides industry with the opportunity to develop products and processes that will enable it to gain access to markets throughout the world.
iv. FDC must be able to provide leading-edge technology to industry through maintaining an inventory of up-to-date and competitive processing equipment.
v. FDC must capitalize on the strengths of strategic alliances to maximize program delivery, while maintaining economies of scale.
vi. FDC must employ a stable complement of technically qualified professional experts.
vii. FDC must use its education services as a vehicle to bring industry and technology together, creating opportunities for itself and its stakeholders.

III.2. Operating Guidelines

i. Capitalize on FDC as an engine of economic development rather than of revenue generation. This involves increased support to small clients to maximize their contribution to the economic development of the Province, while continuing support for established larger companies to provide specific services, and maintaining FDC's technical expertise and credibility.
ii. Create a seamless MAFRI agri-food development process. This process includes idea conceptualization, financing, product / process development, production and marketing stages.
iii. Develop a program to source the globe continuously for relevant food products and technologies, and introduce these to the Manitoba market through seminars, demonstrations and one-on-one consultations.
iv. Update facilities and equipment to competitive and representative levels to meet current and emerging needs and trends.
v. Be a source of technical training to the food industry.

vi. Continue current and initiate new comprehensive FDC promotion to the industry.
vii. Address special industry projects when similar services are not readily available or where immediate technical expertise is required.
viii. Ensure the provision of services to new and smaller operators, recognizing their need for local, comprehensive assistance, while at the same time offering specific services to larger companies.

IV. People with a Mission

People with professional integrity, training, experience and dedication fulfill the mission and goals of FDC within four departments. (*See also* the "FDC Organizational Chart" at the front of the report.)

IV.1. Administration

Staff provide support services for all operations in other FDC departments. They supply efficient delivery of written correspondence, quarterly reports, annual reports and course materials. Accounting, computer and human resource services are administered by this group. A comfortable reception area is maintained and attended at all times by friendly and accommodating staff for the attentive welcome of all visitors. Building maintenance is monitored and arranged by this department.

IV.2. Business Development

Staff publicize the capabilities and services of FDC to food processors, industry, economic development agencies, other government departments and the public to support economic development in Manitoba. Clients are assisted with gaining access to trade shows, funding programs and market opportunities. Seminars, educational events and training opportunities are organized and sponsored by this group. Industry and client tours, visits from foreign delegations and public relations events are coordinated by this department.

IV.3. Process and Product Development

Consultants work with clients on perfecting product formulations and prototype developments. Chemical and microbiological testing, including shelf life studies and sensory analysis, are conducted. Staff perform nutritional analysis and create product labels. Test market trials for new food products and processes are conducted in the pilot plant. Food safety plans based on HACCP (hazard analysis critical control points) principles are developed and adhered to. Staff ensure regulatory requirements are complied with.

IV.4. Library and Information Services

Staff collect business, regulatory, food science and technology, news and intellectual property information. Staff and clients are assisted in researching and obtaining prior information about products or technology. Government, industry and the research

community request and obtain literature searches, reference services and published information. The FDC website is maintained and the quarterly newsletter, *agora*, is created by the Library. The FDC Library provides information that is accurate, relevant, current, complete and unbiased.

IV.5. Service Lines

Services performed at FDC sometimes involve teamwork with staff from more than one department. Conversely, different departments sometimes provide a common service. Services are thus characterized according to nature of the activity, rather than by department. There are seven service lines at FDC.

i. Product Development Services
ii. Process Development Services
iii. Nutritional Labelling Services (new in 2003/2004)
iv. Regulatory Affairs / Hazard Analysis Critical Control Points (HACCP) Services (new in 2003/2004)
v. Information Services
vi. Technology Transfer and Educational Services
vii. Special Projects

Section V.4. outlines achievements in client services for the 2003/2004 year.

IV.6. Six Promises We Keep

MAFRI pointed out in *Destination 2010* that "the people we serve [are] our foremost priority." FDC is fully committed to and has defined that ethic through six promises for daily operation within the organization. These are the key operating standards of FDC.

i. Maintaining total client confidentiality
ii. Providing industry with up-to-date technological information and product and process development services that make it competitive in the global market
iii. Maintaining a federally accredited pilot plant
iv. Assisting in the production of high quality, wholesome and safe food products from Manitoba
v. Delivering quality services on time and on budget
vi. Maintaining pricing practices that are fair and competitive

V. All According to Plan

In its five-year strategic plan, FDC meticulously mapped out its intended activities and projected superior results. The success achieved annually by FDC for the agri-food industry is the result of planning for excellence.

V.1. 2003/2004 Action Plans

FDC announced the following points of action in its 2003/2004 business plan.

i. An aggressive business development plan must be designed and implemented in addition to the traditional FDC marketing program.
ii. Client service activities must continue throughout the implementation project at a maximum level of efficiency. All activity disruption must be managed appropriately and avoided whenever possible.
iii. The revised building additions and equipment replacement timelines must be adhered to. The initial expected results for 2003/2004 as reported in the strategic plan have been delayed due to implementation requirements and delays in equipment acquisitions and building improvements.
iv. Staff training in applicable technology is essential.
v. Implementing new services that meet changing industry requirements is essential.

All action plans have been followed faithfully and the results have been rewarding for FDC and Manitoba.

V.2. Aggressive Business Development

The Business Development section of FDC developed a thorough marketing and promotion (MP) plan in the 2003/2004 year.[3]

The three-phase MP plan prescribed introducing product concepts to industry, developing avenues for risk-managed product introductions, conducting public participation consumer acceptance trials and promoting FDC services and resources to industry and the public.

The FDC vision and mission were widely publicized at trade shows held in Manitoba. The FDC exhibit booth travelled to the following industry events.

[3] The full marketing and promotion plan is available in the FDC Fourth Quarterly Report of 2003/2004.

- *Rural Forum*: Brandon, April 2003
- *Richardson Centre for Functional Foods and Nutraceuticals Conference*: Winnipeg, October 2003
- *Manitoba Ag Days*: Brandon, January 2004
- *Direct Farm Marketing Conference*: Brandon, February 2004

The FDC website was greatly expanded, including the addition of information about the expansion and capital acquisitions project. (*See also* Appendix B.)

The FDC newsletter, *agora*, was published three times during the year. All issues of *agora* were posted on the FDC website and widely circulated electronically. One issue was mailed to nearly 3000 readers, including industry, client, government and research contacts. (*See also* Appendix B.)

A advertisement for FDC was developed and aired three times weekly on the Portage la Prairie radio station, CFRY. The advertisement coincided with a significant increase in phonecalls to FDC for information about services. The CFRY advertisement continues to be aired.

Newspaper and magazine articles about FDC were published regularly throughout the year. Captioned photos of the construction at FDC appeared often in the Portage la Prairie daily newspaper, *The Daily Graphic*. Most satisfying to the Centre is that the success of FDC clients and their products was regularly publicized in the mainstream media. (*See also* Appendix C.)

V.3. Continued Maximum Performance

FDC maintained an admirable level of client service and efficiency despite disruptions from ongoing construction of the pilot plant. A heavier workload than usual resulted from the involvement of all staff on planning teams for the expansion and capital acquisitions project. (*See also* section V.5.3.)

Barry Todd, Chief Executive Officer of FDC, praised staff for the consistently high level of client service during the unusually heightened activity.

> "This past year has been a time of excitement as the redevelopment of FDC has progressed. Staff are to be commended for their dedication in ensuring client projects progressed in a timely manner, in spite of the disruptions of construction and the added workload of guiding the renewal process."

V.4. Achievements Measuring Up to Projections

FDC measured its achievements over the year by comparing them with annual projections in the 2003/2004 business plan.

Annual Projection: The creation of 20 new employment opportunities
Achievement: Nineteen new jobs were created at eleven companies in rural Manitoba and Winnipeg.

New jobs	Commodity type[4]	Manitoba location	Company size
3	Fruits and vegetables	The Pas	< 10 employees
2	Fruits and vegetables	Portage la Prairie	< 5 employees
2	Fruits and vegetables	Carberry	< 10 employees
2	Aseptic processing	Portage la Prairie	< 10 employees
2	Fruits and vegetables	Winnipeg	< 5 employees
1	Fruits and vegetables	Petersfield	< 5 employees
1	Grains and oilseeds	St. François Xavier	< 5 employees
1	Grains and oilseeds	Winnipeg	< 5 employees
1	Grains and oilseeds	Winnipeg	< 5 employees
1	Dairy	Winnipeg	< 5 employees
3	Combination [FDC]	Portage la Prairie	< 25 employees

Table 1: Job opportunities created as a result of FDC activities in the 2003/2004 year

Annual Projection: Contribution of $198,100 to the GDP of Manitoba with a five-year impact of $2.2 million
Achievement: FDC activities contributed to the GDP of Manitoba, having a five-year impact of $2.07 million.

Annual Projection: An increase in the provincial tax revenue of $18,400 with a five-year impact of $0.2 million
Achievement: FDC activities contributed to provincial taxes with a five-year impact of $192,071.

Annual Projection: Development of fifteen new food products
Achievement: The target was exceeded with the creation of 28 products, due to the highly successful business development activities.

[4] FDC will be licensed to process meat products when the pilot plant expansion project is completed.

Product created[5]	Company location	Company size
Mango chutney	Manitoba	< 5 employees
Crackers	Manitoba	< 50 employees
Hot sauce	Manitoba	< 5 employees
Saskatoon purée	Manitoba	< 5 employees
Pickled green beans	Manitoba	< 5 employees
Alfalfa juice	Manitoba	< 5 employees
Salsa	Manitoba	< 5 employees
Honey garlic sauce	Manitoba	< 5 employees
BBQ sauce	Manitoba	< 5 employees
Honey dill sauce	Manitoba	< 5 employees
Ground flax	Manitoba	< 5 employees
Dog treats	Manitoba	< 5 employees
Honey mustard	Manitoba	< 5 employees
Honey butter – 2 types	Manitoba	< 5 employees
Meat condiment	Manitoba	< 5 employees
Salad dressing	Manitoba	< 10 employees
Meat analogue	Manitoba	< 50 employees
Protein food bar	Manitoba	< 5 employees
Fruit leather	Manitoba	< 5 employees
Starch	Manitoba	< 10 employees
Maple syrup	Manitoba	< 5 employees
Birch sap beverage	Manitoba	< 5 employees
Birch syrup	Manitoba	< 5 employees
BBQ sauce – 2 types	Alberta	< 5 employees
Dried sea buckthorn	British Columbia	< 5 employees
Herb and vegetable wrap	British Columbia	< 5 employees

Table 2: Food products created at FDC in the 2003/2004 year

[5] FDC will be licensed to process meat products when the pilot plant expansion project is completed.

Annual Projection: Assistance in the creation or expansion of ten food processing companies
Achievement: Eight food processing companies were created or expanded.

Assistance provided	Commodity type[6]	Company location
Standardization	Fruits and vegetables	Manitoba
Production trial	Fruits and vegetables	Manitoba
Production trial	Fruits and vegetables	Manitoba
Production	Fruits and vegetables	Manitoba
Production	Fruits and vegetables	Manitoba
Market development	Grains and oilseeds	Manitoba
Market development	Grains and oilseeds	Manitoba
Research	Fruits and vegetables	British Columbia

Table 3: Companies expanded or created with assistance from FDC in the 2003/2004 year

Annual Projection: Fee-for-service revenues of $162,200
Achievement: Fee-for-service revenues of $180,864 significantly exceeded the target.

Annual Projection: Performance of in-plant troubleshooting for six food processing companies
Achievement: On-site troubleshooting was performed for one Manitoba company. FDC provided assistance in optimizing the manufacturing process of the company.

Annual Projection: Full implementation of the Great Plains Aseptic Processors (GPAP) operating partnership
Achievement: The operating partnership with GPAP has been fully implemented to the satisfaction of both parties. (*See also* section V.5.4.)

Annual Projection: Strategic alliances with RCFFN and other organizations
Achievement: Discussions for strategic alliances have been initiated by FDC with the following organizations.

- Creative Advantage Inc.
- Manitoba Food Processors Association (MFPA)

[6] FDC will be licensed to process meat products when the pilot plant expansion project is completed.

- Richardson Centre for Functional Foods and Nutraceuticals (RCFFN)
- National Centre for Agri-Food Research in Medicine (NCARM)
- Analytical laboratories

Annual Projection: Development of a new Regulatory Affairs / Hazard Analysis Critical Control Points (HACCP) service line

Achievement: Regulatory Affairs / HACCP Services has been implemented and is an essential element of the expansion and capital acquisitions project. (*See also* sections V.6.1. and V.7.1.)

Annual Projection: Development of a new Nutritional Labelling service line

Achievement: The Nutritional Labelling service line was implemented. (*See also* section V.7.2.)

Annual Projection: Nutritional analysis of ten food products

Achievement: Nutritional analysis was conducted for ten products.

Commodity type[7]	Company location	Company size
Grains and oilseeds	Manitoba	> 50 employees
Grains and oilseeds	Manitoba	< 10 employees
Grains and oilseeds	Manitoba	< 10 employees
Grains and oilseeds	Manitoba	< 5 employees
Grains and oilseeds	Manitoba	< 5 employees
Fruits and vegetables	Manitoba	< 5 employees
Fruits and vegetables	Manitoba	< 5 employees
Fruits and vegetables	Manitoba	< 5 employees
Fruits and vegetables	Manitoba	< 5 employees
Fruits and vegetables	British Columbia	< 5 employees

Table 4: Products analyzed for nutritional content at FDC

V.5. Building and Equipment

The expansion of the FDC facility began with the approval of the five-year strategic plan on November 27th, 2001. A capital acquisitions plan is the inextricable companion of the expansion plan.

[7] FDC will be licensed to process meat products when the pilot plant expansion project is completed.

All levels of government endorsed the building expansion and capital acquisitions plans. On April 26th, 2002 FDC received approval for $11.175 million in funding for the project. The funding was eventually increased to $13.61 million.

Construction is well underway and will soon be completed. The capital acquisitions project has been almost completely implemented. Some of the equipment has already enabled FDC to secure several unique projects, the required technology for which was previously lacking in Manitoba.

An increase of $777,000[8] in provincial taxes is a spin-off result from the investment in the FDC facility and equipment. It was calculated that the contribution to provincial tax revenue as at March 31st, 2004 is $155,400.

V.5.1. The Facility

Manitoba Transportation and Government Services (TGS) was named the building project manager on behalf of FDC. In April 2003 TGS issued a pre-qualification invitation to building contractors, which was published in Winnipeg, Portage la Prairie and Brandon daily newspapers.

Seventeen contractors responded to the invitation and four of the pre-qualified construction companies then submitted price tenders for the building project by the closing date of June 5th, 2003.

The successful tender was submitted by Boretta Construction Ltd. All bids exceeded earlier erroneous cost projections by the independent engineering firm, Norrie Engineering Ltd. Great efforts were made by FDC and TGS to identify areas of possible cost reduction, unfortunately none of which was feasible without compromising technical or safety considerations.

The total building cost consists of the following expenses.

Boretta Construction price tender	$ 5.120 million
Infrastructure costs	0.615
Engineering fees	0.384
Engineer's required contingency	0.300
PST on additional costs	0.090
Total	$ 6.509 million

[8] The Manitoba Bureau of Statistics supplied the calculation for determining the effect on provincial taxes.

Construction began on September 4th, 2003 and is proceeding well, except that the projected completion date of September 2004 has been delayed for a number of reasons.

The late delivery of some crucial pilot plant equipment resulted in a frustrating disruption of the construction schedule. To accommodate the large dimensions of the imminent spray dryer equipment, installation was required while the building infrastructure was not yet complete. Though the requirement was known for other equipment, such as the new boiler, it was not known for the spray dryer at the time of scheduling. Completion of the walls, curbs and flooring for the pilot plant were all delayed until the outstanding equipment was received and installed.

During construction, it was discovered that electrical and mechanical changes to the existing infrastructure were required, occasioning another delay in construction. The shop drawings required re-approval for the changes to the electrical panel, which also caused a delay to proceeding with the alterations, and by extension the construction.

Despite the unforeseen disruptions to the construction schedule, the completion of the expansion project has been postponed by only several months. The construction is scheduled to be completed by the end of 2004.

The brand new federally accredited pilot plant will have four distinct processing suites.

i. Fruits and vegetables
ii. Meat products
iii. Grains and oilseeds
iv. Bakery products

V.5.2. The Capital Acquisitions

The capital acquisitions plan is essential in maintaining FDC's position as the provider of first choice in its service field. FDC has demonstrated its commitment to being a sustainable leading provider of the technology and facilities that the industry requires for remaining competitive in the domestic and global marketplaces.

All equipment prior to purchase was well-researched for quality, applications, ease of operation, skill required for use, cost and after-sales support.

FDC is delighted to announce the acquisition of the following new laboratory and pilot plant technology.

Pilot plant and laboratory equipment	Approved price with PST ($)
Piston filler	44,505.60
Cold press	46,372.28
Pulper finisher	25,293.95
Laboratory centrifuge	42,782.35
ATP analyzer	4,365.60
Headspace analyzer	20,265.14
Rotap® sieve shaker	6,328.80
Semi-auto capper	24,389.04
Semi-auto labeller	4,648.24
Band sealer	19,545.69
Wet / Dry vacuum	1,562.20
Microscope	6,255.22
Screen separator	11,798.80
Meat grinder	5,836.85
Range / Oven	1,229.43
Dishwasher	897.93
Balances – Top load (2)	5,076.90
Viscometer	9,065.80
Ice maker	3,260.59
Analytical balance	3,852.58
Heat sealer	8,788.50
Moisture analyzer	4,519.68
Environmental cabinet	50,171.65
Texture analyzer	37,245.18
Tetra Rex® equipment	13,269.86
Supercritical fluid extractor	242,269.40
Spray dryer	351,816.00
Blancher simulator	23,347.80
Spectrophotometer	3,155.43
De-aerator	46,902.54
Reverse osmosis	285,683.35
Air compressor	36,432.43

Refractometer	7,161.73
Homogenizer	23,552.35
Steam kettle	44,603.04
Juice press	66,507.18
Auger filler	30,072.56
Total	$ 1,562,831.67

Building infrastructure equipment	Approved price with PST ($)
Boiler	163,336.57
Floor heating system	30,478.95
Hot water heater	9,917.12
Handwash basins	13,620.00
Hose stations	20,090.00
Sanitary steam filter	18,698.25
Total	$ 256,140.89

V.5.3. The Teamwork

As soon as FDC received funding and approval to proceed with the expansion and capital acquisitions project, eight areas of planning were identified. Each FDC staff member chose several of the eight teams to join.

i. Building team
ii. Equipment team
iii. GPAP team
iv. Customer Liaison team
v. Sod Turning team
vi. Financial Implications team
vii. Strategic Alliances team
viii. Computer team

In the 2003/2004 year the building, equipment and GPAP teams were the most active because of the ongoing nature of those planning and implementation areas. Sections V.5.1. and V.5.2. contain information about the activities of the three teams. Other team activities during the year were as follows.

Team	Progress
Customer Liaison	FDC had a high profile at the Manitoba Agri-Food Store and took advantage of the mainstream venue to raise public awareness of the Centre. The FDC newsletter, *agora*, continued to reach a wide readership with three published issues. The FDC website was significantly expanded to include much more information about the activities of the Centre, the service lines, the agri-food industry and the regulatory environment.
Sod Turning	On April 29th, 2003 the Honourable Rosann Wowchuk, Minister of Agriculture, Food and Rural Initiatives, unveiled the FDC building model to the public. The event launched the construction of the new pilot plant. More than 150 delegates from industry, government and the FDC client base attended the event. (*See also* Appendix C.)
Financial Implications	The team completed an internal audit. The team has been assisting with the preparation of FDC proposals for funding under the Agricultural Policy Framework (APF).
Strategic Alliances	The team identified the following organizations as potential strategic allies for FDC. • Creative Advantage Inc. • Manitoba Food Processors Association (MFPA) • Richardson Centre for Functional Foods and Nutraceuticals (RCFFN) • National Centre for Agri-Food Research in Medicine (NCARM) • Analytical laboratories FDC initiated discussions with these organizations to determine avenues for strategic alliances.
Computer	With assistance from the Information Technology staff of MAFRI, FDC has been developing an electronic Management Information System (MIS) for internal use. The MIS consolidates in one interactive database all information and applications from the FDC purchase order, invoicing, client database and project management systems. The completion of the MIS concludes the mandate of the Computer team.

Table 5: Expansion and capital acquisitions planning teams and activities

V.5.4. The Partner

An on-site partnership with the Manitoba company Great Plains Aseptic Processors (GPAP) was instrumental in obtaining the funding to enable FDC to manifest its building and equipment plans.

A brand new entity at the time of funding approval, GPAP has been growing and its success is apparent.

The company uses Tetra Pak[8] technology for aseptic processing and packaging of liquid food products. When complete, one of the four processing suites in the FDC pilot plant will house aseptic processing technology for GPAP operations.

V.6. Human Resources and Staff Development

V.6.1. New Employees

In the 2003/2004 year FDC gained three valuable staff members. To design and implement Regulatory Affairs / HACCP Services, FDC hired a Regulatory Affairs / HACCP Co-ordinator. Sabrina Dean joined FDC as the new co-ordinator, answering to the Manager of Process and Product Development. (*See also* section V.7.1.)

Meeling Nivet was hired to fill the vacant position of Group Leader for Product Development. The group leader also answers to the Manager of Process and Product Development. She leads the Product Development group of four consultants.

Janice Meseyton returned to FDC in 2004 as a contract consultant in the Product Development group.

V.6.2. Professional Development

FDC encourages its employees to seek new and refresher opportunities for professional development. In particular new technology at FDC requires training for staff who operate the equipment.

Modernization and progress occur in all areas that FDC offers services in. FDC is delighted when staff request permission for attending educational courses or becoming members of a professional association that will enhance their skills or knowledge in service delivery. Clients expect and FDC pledges superior service that staff are able to provide by regularly attending training events.[8]

[8] The FDC Fourth Quarterly Report of 2003/2004 includes a complete list of professional development courses and events attended by staff.

V.7. New Services

Two new service lines were added to FDC operations during the year. Both Regulatory Affairs / HACCP Services and Nutritional Labelling Services generated client activity and revenue for the Centre.

V.7.1. Regulatory Affairs / HACCP Services

Hazard analysis critical control points (HACCP) is an internationally recognized food safety system that is mandatory in Canada, the United States and other countries for the processing of meat and other products. Federal accreditation for the new pilot plant requires commodity-specific HACCP plans to be in place at FDC.

A Regulatory Affairs / HACCP Co-ordinator has been hired to design and to implement HACCP plans for FDC and clients. (*See also* section V.6.1.)

Sanitation and preventive maintenance procedures are being written for the entire inventory of FDC processing equipment. The FDC good manufacturing practices (GMPs) were updated to include meat processing practices. A pest control program is also under development.

Staff and clients have received information and training about procedures for reducing the risks of cross-contamination. The Regulatory Affairs HACCP Co-ordinator relays required information systematically and with great professionalism. Communication about procedures is clear and thorough. Rules are strictly adhered to for controlling critical points where hazards may occur. As a result the risks of costly and dangerous incidents of cross-contamination are reduced.

V.7.2. Nutritional Labelling Services

A consultant from the FDC Product Development team researched and co-ordinated the requirements for offering Nutritional Labelling Services.

Recent federal regulations require that all processed and packaged food products for commercial sale in Canada must include a label declaring the nutritional contents. All food processors will be required to include the nutritional information on their products for sale in Canada. FDC has anticipated that a lack of service providers for nutritional analysis in Manitoba could hinder companies from obtaining labels in compliance with federal regulations.

The Nutritional Labelling service line generated $7,500 in its first year at FDC. Ten products were tested for nutritional content and labels were created for the products. (*See also* section V.4.)

VI. Some Closing Remarks

FDC has attempted to illustrate in this annual report its unwavering focus on its vision of increased employment and wealth through enhanced development of Manitoba as a global source of high quality food products. This report is intended to show that FDC is succeeding in its mission and is poised to continue that success in providing leadership in the creation, expansion and diversification of the agri-food industry.

It is hoped that this annual report demonstrates that FDC continues to fulfill its goals through well-planned activities that are yielding positive results for the agri-food industry in Manitoba and by extension all Manitobans. Business is indeed booming.

It is by having a positive and sustainable effect on the economy and citizens of Manitoba that FDC believes that its vision is a good one, that its mission is important and that its goals are worthy.

FDC thanks all Manitobans for their support and for giving the Centre the opportunity to succeed. We won't let you down.

VII. Financial Statements

FOOD DEVELOPMENT CENTRE

Financial Statements
(In Thousands)

Year Ended March 31, 2004

FOOD DEVELOPMENT CENTRE

Index to Financial Statements

Year Ended March 31, 2004

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E A G

THE EXCHANGE

AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of Food Development Centre , an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2004 and the statements of income and retained earnings and statement of cash flows for the year then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The Exchange

chartered accountants, LLP

Winnipeg, Manitoba
April 27, 2004

FOOD DEVELOPMENT CENTRE

Balance Sheet

(In Thousands)

March 31, 2004

	2004	2003
ASSETS		
CURRENT		
Cash	$ 2	$ 2
Restricted cash for expansion *(Note 3)*	765	3,509
Accounts receivable *(Note 4)*	88	75
Prepaid expenses and deposits	169	81
	1,024	3,667
FIXED ASSETS *(Notes 2, 5)*	920	611
BUILDING IN PROGRESS	4,077	220
FUNDS HELD ON DEPOSIT *(Note 6)*	29	28
SEVERANCE RECEIVABLE FROM PROVINCE *(Notes 7, 16)*	41	41
	$ 6,091	$ 4,567
LIABILITIES		
CURRENT		
Working capital payable	$ 922	$ 594
Accounts payable and accrued liabilities *(Note 9)*	945	324
Accrued vacation pay *(Note 10)*	133	106
Unearned revenue	108	41
Current portion of long term debt *(Note 11)*	18	-
	2,126	1,065
LONG TERM DEBT *(Note 11)*	231	-
SEVERANCE LIABILITY *(Note 16)*	60	50
DEFERRED CONTRIBUTIONS *(Notes 2, 12)*	3,367	3,351
	5,784	4,466
RETAINED EARNINGS	307	101
	$ 6,091	$ 4,567

FOOD DEVELOPMENT CENTRE

Statement of Income and Retained Earnings

(In Thousands)

Year Ended March 31, 2004

	2004	2003
REVENUE		
Contract - Province of Manitoba	$ 1,789	$ 1,390
Contract - National Research Council	33	55
Fee for service	181	141
Consulting and training services	-	32
Lease income	14	8
Interest and other income	35	21
Amortization of Deferred Contributions	51	27
	2,103	1,774
DIRECT OPERATING EXPENSES		
Lab supplies	46	31
Purchases services	47	32
Travel	53	64
Salaries	1,006	946
Postage, courier and telephone	45	39
Printing and stationery	16	19
Marketing	90	69
Library	45	50
Satellite office	7	8
	1,355	1,251
GROSS PROFIT	748	523
ADMINISTRATION EXPENSES	536	437
INCOME FROM OPERATIONS	212	86
OTHER INCOME		
Loss on disposal of assets	(61)	(116)
Write down of other assets	-	(114)
	(61)	(230)
NET INCOME	266	(56)
RETAINED EARNINGS - BEGINNING OF YEAR	101	45
RETAINED EARNINGS - END OF YEAR	$ 307	$ 101

FOOD DEVELOPMENT CENTRE

Statement of Cash Flows

(In Thousands)

Year Ended March 31, 2004

	2004	2003
OPERATING ACTIVITIES		
Cash receipts from customers	$ 374	$ 362
Cash receipts from contracts	1,873	1,572
Cash paid to suppliers and employees	(1,303)	(1,309)
Interest received	-	6
Interest paid	(18)	(3)
Cash flow from operating activities	926	528
INVESTING ACTIVITIES		
Additions to fixed assets	(4,263)	(7101)
Proceeds on disposal of fixed assets	-	3
Cash flow used by investing activities	(4,263)	(7098)
FINANCING ACTIVITIES		
Deferred contributions	16	3,251
Proceeds from long term financing	249	-
Cash flow from financing activities	265	3,251
INCREASE (DECREASE) IN CASH FLOW	(3,072)	3,172
Cash (deficiency) - beginning of year	2,917	(255)
CASH (DEFICIENCY) - END OF YEAR	$ (155)	$ 2,917
CASH (DEFICIENCY) CONSISTS OF:		
Cash	$ 2	$ 2
Restricted cash for expansion	765	3,509
Working capital payable	(922)	(594)
	$ (155)	$ 2,917

FOOD DEVELOPMENT CENTRE

Notes to Financial Statements

(In Thousands)

Year Ended March 31, 2004

1. NATURE OF ORGANIZATION

Established in 1977, as part of the Manitoba Research Council, the Food Development Centre serves the agri-food industry by providing a wide range of services in the food, feed and beverage industries. Food Development Centre offers food product development research, testing services and assistance with technology transfer to enable industry to efficiently and economically produce high quality foods.

Effective April 1, 1996, the Food Development Centre was designated as a Special Operating Agency by regulation under The Special Operating Agencies Financing Authority Act made by the Lieutenant Governor in Council.

The Centre is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from Centre operations. It finances the Centre through repayable loans and working capital advances. The financial framework enables the Centre to operate in a business-like manner according to public policy expectations.

A Management Agreement with the Financing Authority assigns responsibility to the Centre to manage and account for the Centre related assets and operations on behalf of the Financing Authority.

The Food Development Centre is a part of the Department of Agriculture and Food under the general direction of a General Manager and Chief Executive Officer, and ultimately the policy direction of the Deputy Minister and Minister.

The Food Development Centre remains bound by relevant legislation and regulations.

The Food Development Centre is economically dependent upon the Province of Manitoba, as it derives a significant portion of its revenue from the Province.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. The financial statements have, in management's opinion, been properly prepared within the reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

Basis of Reporting

The financial statements of the Centre are presented in accordance with Canadian generally accepted accounting principles.

(continued)

FOOD DEVELOPMENT CENTRE

Notes to Financial Statements

(In Thousands)

Year Ended March 31, 2004

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fixed Assets

Fixed assets assumed as part of the conversion to a Special Operating Agency, April 1, 1996 are stated at their estimated fair value as determined by the Province. Fixed assets are stated at cost less accumulated amortization. Fixed assets are amortized over their estimated useful lives at the following rates and methods:

Equipment and sign	20%	declining balance method
Computer hardware and software	20%	straight-line method

Other Assets

Research and development costs are expended as incurred.

Revenue Recognition

Fee for service revenue is recognized on percentage of completion basis.

All funds received and due from the Province of Manitoba at year end have been recognized as income in the current year except for the funds received for the construction of the new building. These amounts have been treated as deferred contributions and will be taken into income to match the amortization of the expansion.

3. RESTRICTED CASH FOR EXPANSION

In April of 2002 the Food Development Centre received approval for an $11 million expansion funded by the Federal and Provincial governments. During the current year, the expansion was revalued at $14 million. The redeveloped facility will provide space for Great Plains Aseptic Processors, a Manitoba company that will use Tetra Pak technology to operate a commercial liquid food processing and packaging facility.

The existing facility will be renovated to qualify for the Canadian Food Inspection Agency registration, which will allow clients to develop, process and package products on site for sale to interprovincial and international markets.

The expansion will be completed during the March 31, 2005 year-end. As at March 31, 2004 $765 (2003 - $3,500) is being held as restricted cash for expansion to be used for the completion of this project.

FOOD DEVELOPMENT CENTRE

Notes to Financial Statements

(In Thousands)

Year Ended March 31, 2004

4. ACCOUNTS RECEIVABLE

The accounts receivable balance is comprised of the following amounts:

	2004	2003
Trade accounts receivable	$ 159	$ 145
Allowance for doubtful accounts	(71)	(70)
	$ 88	$ 75

5. FIXED ASSETS

	Cost	Accumulated amortization	2004 Net book value	2003 Net book value
Equipment and sign	$ 1,211	$ 327	$ 884	$ 883
Computer hardware and software	325	89	36	58
	$ 1,536	$ 416	$ 920	$ 941

Included in fixed assets is equipment with a net book value of $1 (2003 - $1), which is being leased to clients of the Food Development Centre.

6. FUNDS HELD ON DEPOSIT

Effective April 1, 2000, the assets and liabilities of the analytical services division were sold to Norwest Soil Research Ltd. The Centre has received a $25 deposit from Norwest Soil Research Ltd. as part of the sales agreement. Under the agreement, Norwest must maintain certain levels of revenue from work performed in the Province of Manitoba for the cumulative period of five years from the effective date of the agreement. If they fail to meet these conditions, the deposit and accrued interest are forfeited to the Food Development Centre.

For the year ended March 31, 2003 there was a shortfall of $17 in sales. At the present time there has not been any amount set up as a receivable or any reduction in the deposit. The surplus or shortfall for the years ended March 31, 2003 and 2004 have not yet been determined.

7. SEVERANCE RECEIVABLE FROM PROVINCE

The receivable from the Province of Manitoba is for severance pay benefits earned by the employees of Food Development Centre to March 31, 1998. The receivable, or portion thereof, will be collected in the event that there is a cash shortfall. However, this is only likely to happen on the dissolution of the Food Development Centre.

FOOD DEVELOPMENT CENTRE

Notes to Financial Statements

(In Thousands)

Year Ended March 31, 2004

8. WORKING CAPITAL PAYABLE

The Centre has an authorized line of working capital of $1,000 of which $922 was used as at March 31, 2004 (2003 - $594 was used).

9. ACCOUNTS PAYABLE

	2004	2003
Trade	$ 36	$ 76
Payroll	33	21
Audit	4	6
Interest	14	-
Building	795	-
Sales tax	11	22
Miscellaneous	52	199
	$ 945	$ 324

10. ACCRUED VACATION PAY

The employees of the Food Development Centre are entitled to vacation pay in the current year, based on the prior year's employment. A provision for this liability has been recorded in the financial statements.

FOOD DEVELOPMENT CENTRE

Notes to Financial Statements

(In Thousands)

Year Ended March 31, 2004

11. LONG TERM DEBT

	2004	2003
Province of Manitoba loan bearing interest at 5.80% per annum with annual payments of $18 plus interest. The loan matures on April 30, 2017.	$ 249	$ -
Amounts payable within one year	(18)	-
	$ 231	$ -

Principal repayment terms are approximately:

2005	$ 18
2006	18
2007	18
2008	19
2009	18
Thereafter	138
	$ 249

12. DEFERRED CONTRIBUTIONS

	2004	2003
Balance, beginning of year	$ 3,351	$ 3,529
Add: Contributions received during the year	-	100
Add: Interest received during the year	67	100
Less: Amount recognized as revenue	(51)	(378)
Balance, end of year	$ 3,367	$ 3,351

Deferred contributions relate to fixed assets and represent the unamortized amount of contributions received for the purchase of fixed assets. The amortization of contributions is recorded as revenue in the statement of income and retained earnings.

13. DEFICIENCY IN ASSETS

The Special Operating Agencies Financing Authority and the Manitoba Provincial Government entered into a Transfer Agreement respecting the transfer, from the Provincial Government to the Financing Authority, of the net assets retained for the continuing operations of the Food Development Centre. As at April 1, 1996, the date of transfer, the liabilities assumed exceeded the value of the assets in the amount of $35. This amount was recorded as the deficit at April 1, 1996.

FOOD DEVELOPMENT CENTRE

Notes to Financial Statements

(In Thousands)

Year Ended March 31, 2004

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14 PUBLIC SECTOR COMPENSATION DISCLOSURE

It is a requirement of the Public Sector Compensation Disclosure Act that annual public disclosure be made of individual compensation exceeding $50 annually to any officer or employee of the Province of Manitoba. The following employees received compensation in excess of $50:

	2004	2003
Lloyd, Alphonsus - Manager Product and Process Development	$ 84	$ 79
Scott, Pat - Controller/General Manager	88	83
Lowe, Linda - Librarian	51	-
Qi, Jiacheng - Process Development Consultant	54	-
Schmidgen, Markus - Business Development Co-ordinator	66	57

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15 COMMITMENT

The Food Development Centre is obligated to make payments to Workers Compensation for an employee currently on disability. The total financial impact on the Centre is not determinable since the length of time the payments will be required is unknown.

The Centre has not entered into a lease agreement with the Province of Manitoba for its premises.

---

16 SEVERANCE LIABILITY

Effective April 1, 1998, the Centre is recording accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum of fifteen years, by the weekly salary at date of retirement, provided the employee reaches nine years of service and retires from the Centre. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by the Centre's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at April 1, 1998 of $83 was completely offset by a receivable from the Province. An adjustment was made in 2001 to reduce the receivable from the Province to $41. There are no terms of repayment for this receivable, and the amount will remain fixed at $41.

---

17 FINANCIAL INSTRUMENTS

The Centre's financial instruments consist of cash, accounts receivable, investment, accounts payable and accrual liabilities. Unless otherwise noted, it is management's opinion that the Centre is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

---

18 COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

FOOD DEVELOPMENT CENTRE

Administration Expenses

(In Thousands)

Year Ended March 31, 2004

	2004	2003
Accreditation and licensing fees	$ 1	$ 1
Advisory committee fees	1	–
Amortization	97	89
Bad debts	8	9
Computer expenses	76	64
Equipment operating costs	28	18
Insurance	35	27
Interest	18	2
Memberships	7	8
Miscellaneous	1	–
Occupancy expenses	206	205
Professional fees	22	13
Repairs and maintenance	18	20
Research and development	2	–
Training	16	1
	$ 536	$ 457

APPENDIX A.

FDC Advisory Board Members

A management team under the leadership of a Chief Executive Officer (CEO) directs FDC. The management team consists of the General Manager (GM), the Manager of Process and Product Development and the Business Development Manager. (*See also* the "FDC Organizational Chart" at the front of this report.)

Guiding the management team is an Advisory Board that is chaired by the Deputy Minister (DM) of MAFRI. The members of the FDC Advisory Board are as follows.

Barry Todd, Chair
CEO
Food Development Centre
Portage la Prairie, Manitoba

Ken Einarson
[retired]
Winnipeg, Manitoba

Sid Gordon
Proprietor
Gordon Farms
Neepawa, Manitoba

Marjorie Jarvis
Proprietor
Jarvis Meats
Gladstone, Manitoba

Pat Scott
GM
Food Development Centre
Portage la Prairie, Manitoba

APPENDIX B.

FDC Public Relations

B.1. *agora*

FDC publishes a newsletter called *agora* several times each year for public distribution. The newsletter is circulated by email and regular post when it is published and later by request. Each issue is permanently posted on the FDC website.

Government, industry, researchers and clients read *agora*. The newsletter contains stories about FDC client success, industry news and events, articles about economic development, FDC research and FDC news.

FOOD DEVELOPMENT CENTRE

agora

Men at work on The Genesis of FDC

Highlights of The Genesis

inside this issue

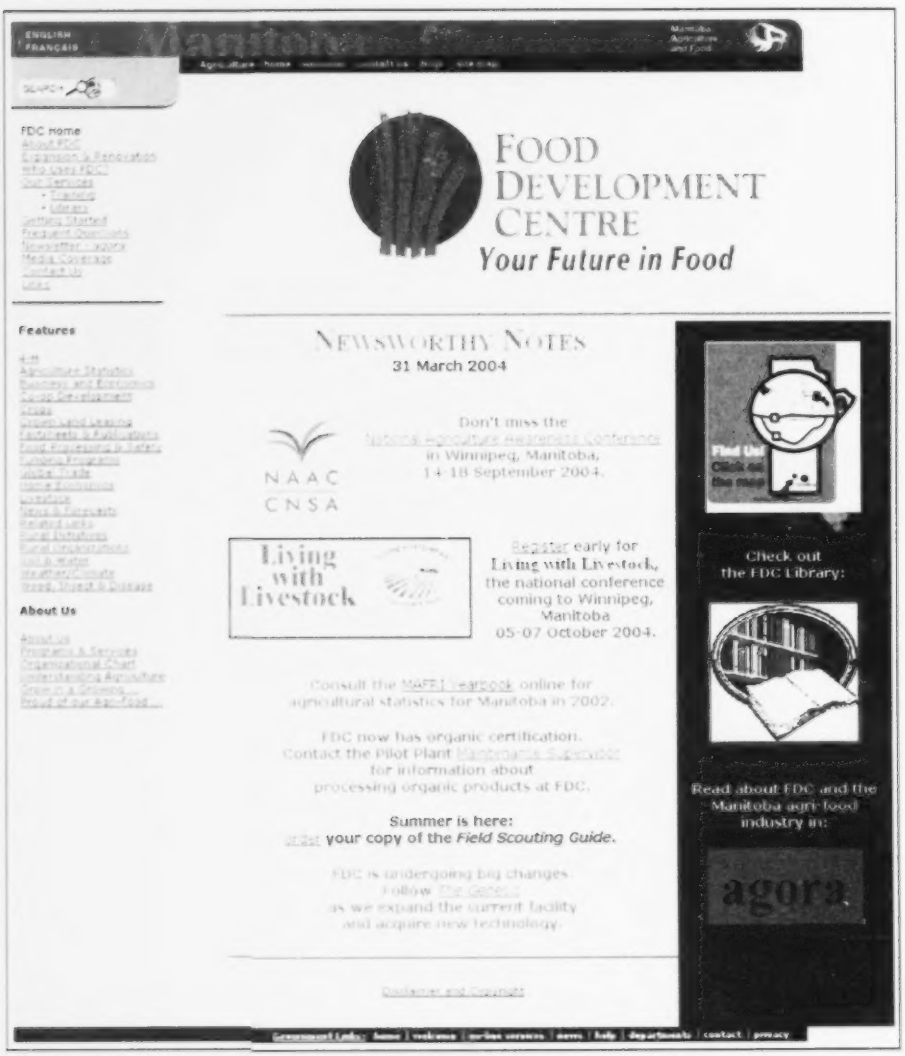
Construction of the new FDC pilot plant began in September 2003. The four processing suites are already distinguishable behind the existing facility.

See HACCP on page 3

B.2. www.gov.mb.ca/agriculture/fdc

The FDC website is a rich source of information for industry and clients.

The home page includes frequently changing information under a heading "Newsworthy Notes," including employment opportunities at FDC and upcoming industry events. The home page has a map of the location of FDC, relative to surrounding landmarks. Icons on the home page provide links to the FDC Library and the online edition of the newsletter *agora*.



Most exciting is the addition of a set of web pages devoted to the expansion and capital acquisitions project. Included in these pages is specific information about the new equipment with links to the manufacturers' websites, and links to media about the developments in construction.

Expansion & Renovation

31 March 2004

FDC Expansion and Renovation

FDC is undergoing a Genesis. We invite the public to watch our progress with our expansion, renovations and capital acquisitions projects. We post regular announcements on this page.

Funding

In April 2002, we at FDC were gratified to receive approval for $11 million dollars in federal and provincial funding for a long-awaited facility expansion project. Part of the funding has been allocated towards capital acquisitions, and another allocation is towards construction of a new facility.

FDC staff teamwork

The entire staff at FDC are involved in the strategic planning process for the building expansion and the acquisition of new food processing equipment that the funding has been granted for. Soon after the funding announcement was made, FDC staff formed teams in the various areas of planning and responsibility for the process. The Building Team in particular has been involved at every step of the planning process.

Building design

The initial building design has been approved for the new Great Plains Agrifood Incubator (GPAP) and FDC facility in Portage la Prairie, Manitoba. As in the conceptual drawing above, the new facility will be built at the rear of the existing FDC building.

Federal accreditation

The Canadian Food Inspection Agency (CFIA) has reviewed the architectural drawings and confirmed that the plans are in compliance with federal regulations for processing facilities. The facility will be federally registered and clients will have the capability of developing food products for the export market. There are four processing suites in the new facility for the following product areas.

1. meat products
2. grains and oilseeds
3. fruit and vegetable products
4. bakery products

Follow our progress

Construction

New FDC Equipment

2002-2003 Annual Report - The Genesis

eggsra Newsletter
- January 2004
- September 2003
- March 2003
- July 2002

FDC News Releases

History of FDC

Great Plains Agrifood Incubator (GPAP)

For more information about FDC's expansion and renovation, do contact us.

APPENDIX C.

Media Coverage

The activities of FDC and clients of the Centre have been profiled in newspaper and magazine articles repeatedly in the 2003/2004 year. Included here is some of the publicity FDC has received in print.

News *Release* Manitoba

News Media Services
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Winnipeg, Manitoba
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www.gov.mb.ca

April 29, 2003

FOOD DEVELOPMENT CENTRE EXPANSION ON TRACK
Expansion to Result in New Products, New Jobs: Wowchuk

The $11 million Food Development Centre (FDC) renovation and expansion project in Portage la Prairie has gone to tender and will soon provide more support for Manitoba food processors in the development of new products, Agriculture and Food Minister Rosann Wowchuk and Trevor Winters, senior marketing and trade officer, on behalf of federal Minister of Agriculture and Agri-Food Lyle Vanclief, announced today.

"This investment in the Food Development Centre will help it meet higher quality standards and increase its research and development abilities," said Wowchuk. "New competitive technology results in new value-added products and that translates into new jobs in our agri-food sector. It also means a more diverse range of safe, quality Manitoba products to offer to markets around the globe."

"Increasing the capacity of the Manitoba Food Development Centre will contribute to Canada's goal of being recognized around the world as the best in agriculture and agri-food," said Winters.

The FDC works with new, small and large food processors, providing services in process and product development, training and seminars, library and information access, and rental of its commercial pilot plant facilities.

The project will add 1,600 square metres of new space and renovate 2,300 square metres of existing space. It will combine four simultaneous food processing lines in the facility and will meet federal food safety standards. This certification allows clients to develop, process and package products on-site for interprovincial and international markets.

"We are happy with the role we have been able to play in this new development. It adds to a bright future for our community, our province, and our nation," said Ian Mackenzie, mayor of the City of Portage la Prairie. "It will attract business from all over the world. The food lab was the first facility of its kind in Canada, and now we have the only one in North America with the projected capabilities."

The initiative will add a new meat processing suite as well as new suites for grains and oilseeds, bakery, and fruit and vegetable product development. New equipment to help Manitoba food processing companies develop new and better food products includes:

- a juice press for the extraction of all types of fruit and vegetable juices;
- environmental cabinets for accelerated and comparative shelf life studies;
- a head space analyzer for the measurement of gases remaining in a package to improve a product's shelf life;
- a texture analyzer to measure the texture of food products and assess their taste and smell; and
- a supercritical fluid extraction unit--the only one of its kind in Canada at an applied research and development facility--for the separation and extraction of valuable solid and liquid components from food products with nutraceutical properties.

Other equipment expected later this year includes a spray dryer, blancher, homogenizer, reverse osmosis system, ultrafiltration system, de-aerator, colloid mill and freeze dryer.

The renovations will provide additional space for Great Plains Aseptic Processors, a local company using Tetra Pak technology to operate a commercial liquid food processing and packaging facility for Manitoba's food industry.

"Developing our capacity for value-added processing and bringing innovative new products to consumers will help maintain Manitoba's competitive edge in global markets," said Wowchuk. "This investment in research and development will have a long term payback in jobs, sales and reinforcement of Manitoba's reputation for safe quality food products."

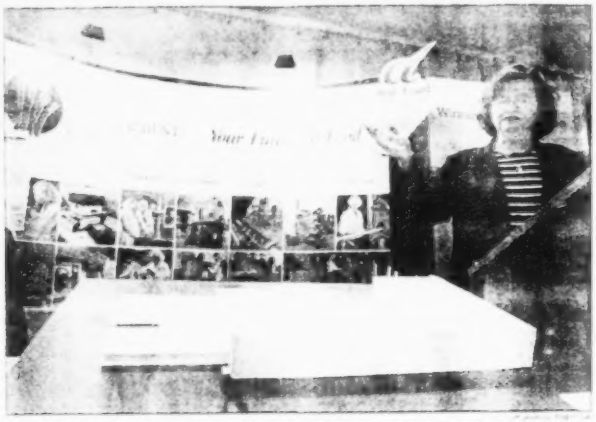
The renovation and expansion is funded with $7.9 million from Manitoba and $3.2 million from the federal government. The venture is expected to create as many as 1,400 jobs over the next 15 years, contributing an estimated $124.5 million to Manitoba's gross domestic product and $18.1 million to provincial taxes. The City of Portage la Prairie and the Rural Municipality of Portage la Prairie will provide a grant in lieu of taxes, equivalent to an investment of $800,000 over eight years.

The FDC is one of three facilities the province has created in partnership with the federal government to support the research of technologies for food processing, functional foods and nutraceutical development using Manitoba's agricultural commodities. The National Centre for Agri-food Research in Medicine (NCARM) at the St. Boniface Research Foundation and the Richardson Centre for Functional Foods and Nutraceuticals (RCFFN) at the University of Manitoba were established through federal-provincial co-operation and funding.

- 30 -

Wowchuk unveils FDC expansion plans

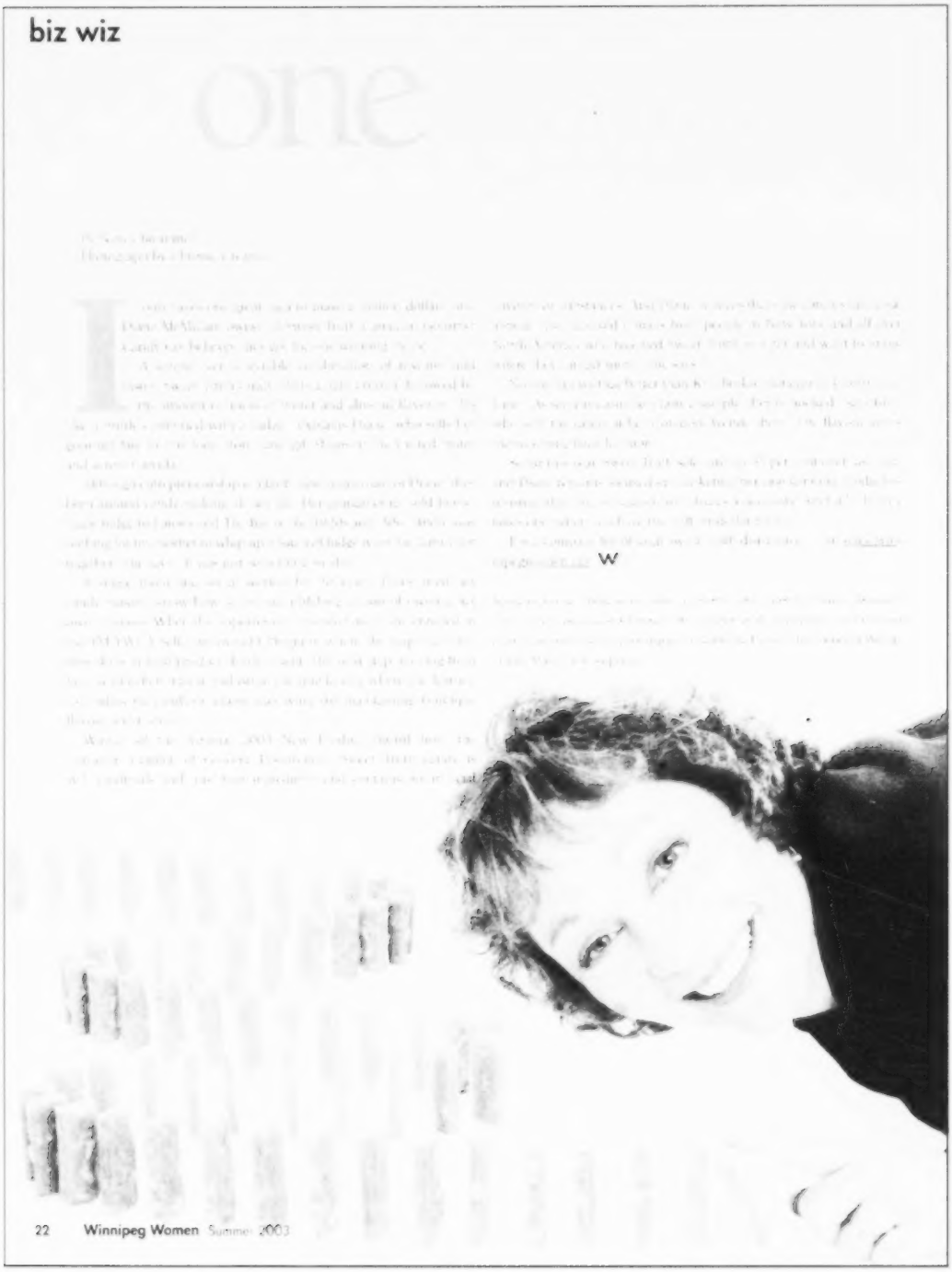
BY LESLIE BRYDE
The Daily Graphic



Provincial Agriculture Minister Roxann Wowchuk announced yesterday the Food Development Centre is seeking tenders for an $11 million expansion of its McMillan Industrial Park facility. A model of the centre is seen here, with the expansion outlined on the right side.

The Daily Graphic April 30th, 2003 p3

biz wiz



22 Winnipeg Women Summer 2003

Winnipeg Women Summer 2003 p22

76 FARM LIVING

New products get on-the-shelf training, exposure

"We hope that people like Eco-Farms can move from here to IGA and then we can start off with a new product."

Western Producer June 5th, 2003 p76

Food industry on display

Manitoba Agriculture Minister Rosann Wowchuk (centre in white jacket) is flanked by innovative Manitoba agri-food producers at the official opening of The Manitoba Agri-Food Store in The Forks yesterday. The store is owned by Creative Advantage Inc., which provides all the necessary tools, including education, to successfully introduce new companies and their food products into the marketplace.

Winnipeg Free Press June 25th, 2003 pB5

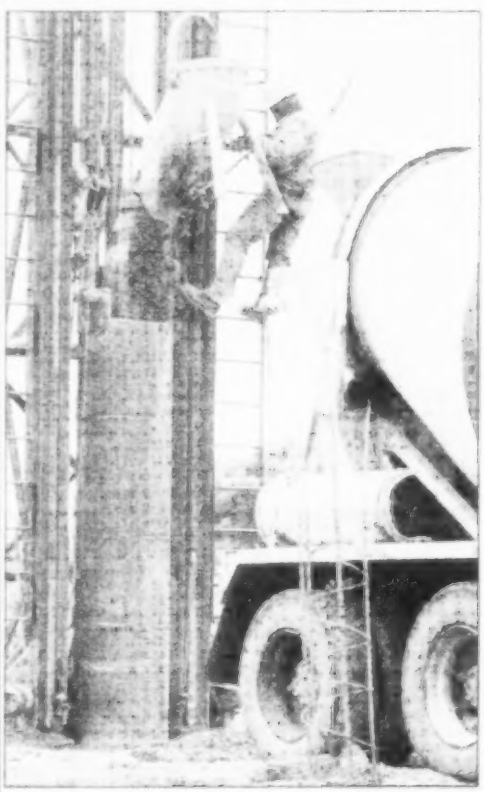
Groundwork

Staff photo by Robert Ose

Bill Eves built a temporary road next to the Food Development Centre yesterday afternoon. The road will be used to transport supplies needed in construction of the $11-million expansion to the research facility.

The Daily Graphic September 10th, 2003 p2

Concrete construction

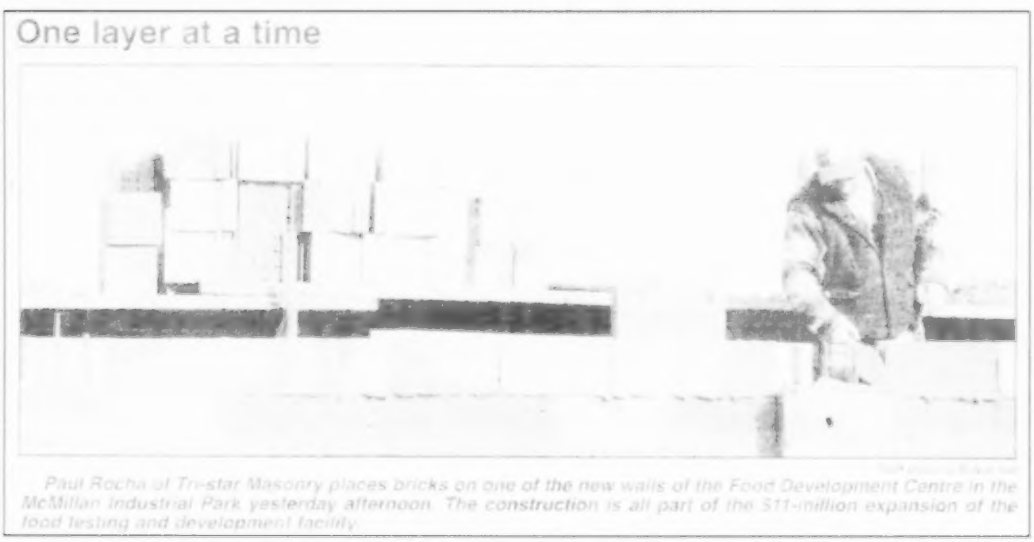


Staff photo by Robert Ose

Matthew Wright from Agra Construction pours dry concrete into a pile driver for the foundation of the new addition to the Food Development Centre in McMillan Industrial Park. Groundwater will then mix with the dry concrete creating a foundation for the $11-million expansion.

The Daily Graphic September 25th, 2003 p4

Winnipeg Free Press October 7th, 2003 pB4



Paul Rocha of Tri-star Masonry places bricks on one of the new walls of the Food Development Centre in the McMillan Industrial Park yesterday afternoon. The construction is all part of the $11-million expansion of the food testing and development facility.

The Daily Graphic October 20th, 2003 p14

The Genesis of the Food Development Centre

BY Linda Lowe

The past several years at the Food Development Centre in Portage la Prairie have been exciting and full of planning and positive changes. Under the umbrella of what FDC calls The Genesis, a construction crane has taken up residence on the FDC grounds, two new staff positions have been created and the Centre is putting $11 million of approved funding to work for the economic development of the province of Manitoba.

In December 1999 the Centre became a special operating agency of Manitoba Agriculture and Food (MAF) and the host department and FDC quickly brought together the diversity of services and operations of the alliance. A commitment was made to present to Manitoba agri-food producers and manufacturers a seamless continuum of services and economic assistance from the farmer's field to the processing plant, and to help orient Manitoba as a leader in the creation, expansion and diversification of the agri-food industry through value-added processing.

One crucial aspect of the FDC mandate is that the Centre house a federally accredited pilot plant that provides industry with the opportunity to develop products and processes that will enable Manitoba food processors to gain access to markets throughout the world. Accordingly, FDC planned a revolutionary expansion and capital acquisitions program and in April 2002 the Centre received federal, provincial and municipal government approval for $11 million in funding to implement the plan. Included in the proposal is a partnership with the brand new Manitoba food company called Great Plains Aseptic Processors (GPAP).

The expansion involves the construction of a new wing along the west and south sides of the existing facility. Early in 2003 the Canadian Food Inspection Agency (CFIA) approved the architectural drawings for the new facility as being commensurate with requirements for a federally accredited processing plant. In September 2003 actual construction of the facility began and already the different processing suites are distinguishable.

There will be four main processing suites, reflecting the major agricultural commodities produced in Manitoba: a meat processing suite, a bakery products suite, a grains and oilseeds processing suite, and a fruits and vegetables processing suite. The operations of GPAP will involve commercial-scale processing and packaging for liquid food products, unique to North America, using technology created by Tetra Pak.

The industry's growing anticipation of greater opportunities in food processing is palpable. The construction at FDC is not yet complete and already client interest has increased to a point that the creation of a new employment position on the Product Development team has been required. In October 2003 Ms. Meeting Nivet filled the new position of Group Leader for Product Development at the Centre. As well, a food safety and regulations professional is expected to be hired before the end of 2003. The position is for a Regulatory Affairs and HACCP Coordinator and will include responsibility for developing, implementing and managing government regulations and product-based HACCP programs in the FDC pilot plant.

FDC has allocated a portion of the approved funding to purchase new technology to furnish the new processing suites. The new equipment includes extraction, milling, frying, freezing, drying and packaging technology for use in a variety of projects and processes.

Throughout The Genesis, FDC has continued to serve the province and Manitobans through its assistance in the creation of new products and new employment opportunities in the agri-food industry. In the 2002 / 2003 year alone FDC activities resulted in the creation of eleven new jobs and the development of fourteen new food products. FDC also assisted in the creation or expansion of eighteen food processing companies. Translated into economic worth for Manitoba, these activities have resulted in a five-year impact of a $1.2 million increase in the GDP of Manitoba, and $108,900 in provincial taxes.

For more info about FDC, visit the website at www.gov.mb.ca/agriculture/fdc. Linda Lowe is the librarian at FDC and the editor of the FDC newsletter, agora.

MFPA's *In the Process* October 2003 p6

The Daily Graphic December 23rd, 2003 p10

Cementing a future

Helder Cunha of Tri-Star Masonry fills in gaps in the new Food Development Centre roof yesterday morning. Bitter cold and wind challenged the workers.

Nerves of steel

The Daily Graphic
November 18th, 2003 front page

Floored

James Giancola, foreground, seals a drain with caulking while Cory McCabe unwraps more insulation panels inside the new portion of the Food Development Centre. The panels are being used to keep moisture off the floor once the concrete is poured.

The Daily Graphic January 30th, 2004 front page

Bilingual Communities' Grand Plans
100 Years of Futures Trading Winnipeg Commodity Exchange
Earl McLaren
Derek McLaren
THE MCLAREN BROS FIND SUCCESS IN STARCH
BY ANGELA LOVELL
COVER STORY
HOW HAPPY ARE IMMIGRANT FARMERS
MAKING EXTRA MONEY FROM THE FARM GATE

Cover story: *Manitoba Business* March 2004

Manitoba Business March 2004 pp8-10, 29

Success of The Starch Kings

The Other Side of Growing Potatoes

By Angela Lovell
Photography by Lance Hamson

"Our challenge is both to align ourselves with people who need a product and then modify our products to meet their needs," says Earl.

APPENDIX D.

Sustainable Development Initiatives and Activities

In accordance with requirements of the Manitoba *Sustainable Development Act*, FDC is including information in its annual report about the progress made in incorporating sustainable development initiatives into its activities.

D.1. Waste Minimization and Substitution

MAFRI established a "Green Procurement Team" in 2001 to develop an action plan for minimizing waste in departmental work environments.

The group leader of FDC Administration is a member of the MAFRI Green Procurement Team. As the liaison between the team and FDC, she has apprised the Centre of waste minimization strategies designed for MAFRI.

Electronic documents are circulated on email or placed in shared access folders, in lieu of making copies for colleagues. Printing electronic files is discouraged except when necessary.

A reference paper copy of internal documents, such as quarterly reports, is deposited in the FDC Library, instead of distributing a paper copy to each staff member.

Only recycled paper is purchased for office use, double-sided photocopying has become standard practice and all non-confidential paper is recycled. Virtually no paper is put in waste containers destined for landfill disposal.

D.2. Research and Innovation

FDC is a research and development organization by nature and is constantly investigating sustainable sources and applications of agricultural ingredients.

The Manitoba government has made a commitment to fostering clean energy initiatives in support of the Kyoto Accord. FDC has investigated research and development opportunities in the biofuels sector. One project FDC has initiated is the determination of the nutritive value of and applications for ethanol co-products such as dried distillers' grains (DDG).

The use of ethanol as a fuel component results in fewer greenhouse gas emissions that are damaging to the global climate. A spin-off advantage of this clean energy

initiative is the waste reclamation strategy of using DDG in food and feed applications for economic benefit. FDC's research and development activity in this field is ongoing.

D.3. Community Economic Development

As demonstrated throughout this annual report, FDC is committed to economic development for the agri-food industry in Manitoba. The key performance measures of FDC are economic development measures.

The beneficial results of FDC activities are measured in number of jobs or businesses created, contribution to the GDP of Manitoba and increase in provincial taxes (*see also* section V.4.). FDC Information Services and Technology Transfer Services are pillars for the foundation of sustainable economic and community development in the agri-food sector.

The FDC business development plan (*see also* section V.2.) is based on supporting community and economic development in the agri-food industry, especially in rural Manitoba.

In the 2003/2004 year FDC began developing a document called *Seamless Access to Economic Development Services for the Value-Added Agri-Food Industry in Manitoba*. The document is intended to be a consolidated reference source for entrepreneurs in the agri-food industry. The purpose of the project is to support and encourage economic development through value-added agri-food opportunities, especially in rural Manitoba. It is intended to create awareness and understanding of all the resources and assistance initiatives available for the Manitoba agri-food industry. Work on the manual is progressing and its completion is planned for the 2004/2005 year.

Successful support of economic development requires service providers to have excellent communication channels with providers of other services and programs available to their clients. FDC staff serve clients well by working closely with colleagues in allied areas of service, including the following.

- Aboriginal and Northern Affairs
- Advanced Education and Training
- Other sections of Agriculture, Food and Rural Initiatives
- Conservation
- Industry, Economic Development and Mines
- Intergovernmental Affairs and Trade
- Energy, Science and Technology
- Economic and community development corporations
- Funding and business development programs

Copies of this report are available from FDC.

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and Food